

Message Text

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64

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FM AMEMBASSY QUITO

TO USDOC WASHDC

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AMCONSUL GUAYAQUIL

UNCLAS QUITO 4513

FOR COMMERCE/OED/OBOD/STRAUSS S. LEAR

E.O. 11652: N/A

TAGS: BEXP, EC

SUBJECT: MAJOR PROJECT: INTEGRATED STEEL PLANT/PETROCHEMICAL COMPLEX

REF: (A) QUITO 1798 (B) QUITO 2668

1. GENERAL SPECIFICATIONS OF PROPOSED INTEGRATED STEEL PLANT/PETRO-CHEMICAL COMPLEX WERE RECENTLY MADE AVAILABLE IN REPORT PREPARED FOR DINE (ARMY INDUSTRIES ADMINISTRATION) BY CENDES (NATIONAL INDUSTRIAL DEVELOPMENT CENTER). COPY OF REPORT (IN SPANISH) IS BEING POUCHED TO USDOC.

2. PROPOSED PLANT WOULD PRODUCE ANNUALLY 300-400,000 METRIC TONS OF STEEL, 540 THOUSAND METRIC TONS OF AMMONIA, AND 360,000 TONS OF UREA. STEEL WILL BE PRODUCED WITH NATURAL GAS THROUGH DIRECT REDUCTION PROCESS AND NATURAL GAS WILL ALSO BE USED AS FEEDSTOCK FOR AMMONIA AND UREA PRODUCTION. NATURAL GAS WILL BE SUPPLIED FROM GULF OF GUAYAQUIL FIELDS CURRENTLY UNDER EXPLORATION, BUT OTHER RAW MATERIALS

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SUCH AS IRON ORE AND SCRAP FOR STEEL PRODUCTION, WILL BE IMPORTED. FIXED INVESTMENT FOR ENTIRE OPERATION IS ESTIMATED TO BE US\$320 MILLION. PRODUCTION IS PLANNED TO COMMENCE IN 1980. (COMMENT: TIMETABLE APPEARS UNREALISTIC AS SIZE OF RESERVES AND THEREFORE POTENTIAL USES FOR NATURAL GAS HAVE NOT YET BEEN DETERMINED. CENDES STUDY WAS PREPARED BEFORE SIGNING IN MAY 1975 OF CONTRACT BETWEEN CEPE (ECUADOREAN STATE PETROLEUM COMPANY) AND US FIRM NORTHWEST
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PIPELINE FOR EXPLORATION AND EXPLOITATION OF GULF OF GUAYAQUIL

NATURAL GAS RESOURCES. CONTRACT ALSO CALLS FOR JOINT CEPE-NORTHWEST PIPELINE VENTURE TO PRODUCE 1200 TONS/DAY OF AMMONIA FOR FERTILIZER. THIS OPERATION WILL HAVE FIRST PRIORITY ON GAS PRODUCTION AND WILL TAKE PLACE OF AMONIA PLANT INCLUDED AS PART OF STEEL MILL/ PETROCHEMICAL COMPLEX IN REPORT PREPARED BY CENDES.)

3. EMBASSY HAS LEARNED FROM NON-OFFICIAL SOURCE KYOGI STEAL CORP. OF TOKYO HAS MADE A PROPOSAL TO DINE TO BUILD PLANT. JAPANESE PROPOSE TO TAKE 49 PERCENT OWNERSHIP AND TO UNDERTAKE FEASIBILITY STUDY. SEVERAL EUROPEAN COMPANIES HAVE ALSO SHOWN INTEREST, AS HAS US FIRM ARMCO.
BREWSTER

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